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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION

FIRE-CURED AND DARK AIR-CURED TOBACCO

THE ECONOMIC SITUATION AND THE NEW ACT

This statement presents the fire-cured and dark air-cured tobacco situation, together with questions and answers relating to the new act. A referendum of fire-cured and dark air-cured tobacco growers will be held on March 12 to determine whether growers favor or oppose marketing quotas for 1938. This statement should prove useful to voters in the referendum.

Fire-cured and dark air-cured tobacco growers have been confronted for a number of years with the serious problem of adjusting production downward in order to maintain supplies in line with materially smaller market demand. This decrease in demand has been principally in foreign countries. The chief factors causing the loss of exports have been the tariff and other trade handicaps built up since the world war and the accompanying increases of production in foreign countries.

In the United States the decreased demand for these kinds of tobacco has resulted from declining consumption of chewing tobacco. Exports fell from a level of more than 200 million pounds in the early 1920's to around 100 million pounds in 1932 and about 80 million pounds in the past 2 years. Domestic consumption in tobacco products has decreased during the same period from about 90 million pounds to about 75 million pounds.

Prior to the Agricultural Adjustment programs for tobacco beginning in 1934, the downward adjustment in production occurred more slowly than did the decreases in exports and domestic consumption. Consequently, the supply of tobacco increased from a normal quantity equal to about 2 years' domestic consumption and exports to a supply in the early 1930's sufficient to last a little more than 2½ years. Under the Agricultural Adjustment programs, the supply was reduced from the high level of the early 1930's to 377 million pounds on October 1, 1937. However, this supply, at current estimates, was sufficient for approximately 2.4 years as compared with a normal supply sufficient for about 2 years.

Under the condition of decreasing domestic consumption and exports from the early 1920's to 1932, growers suffered both from lower prices and from smaller total sales. In the 5 years 1921 to 1925, the farm price averaged about 13½ cents per pound and the total farm value averaged about 42.6 million dollars, as compared with an average price of 5.2 cents and a farm value of 10.5 million dollars for the 1931 and 1932 crops. Despite the bad supply situation, farm prices and income have shown some improvement since 1932.

Excluding payments under the Agricultural Adjustment programs, the average price for the four crops from 1933 to 1936 was about 10 cents per pound, and the average farm value was about 15 million dollars. The supply situation since 1933 would have meant continued low prices and incomes for farmers had it not been for the production-adjustment, conservation programs, and the byproduct diversion program of the Agricultural Adjustment Administration.

If farmers are to sell at fair prices a quantity of tobacco which the market can be expected to take in the normal course of trade, production should be further adjusted in 1938 in order to bring supplies into line with demand.

TOBACCO, UNITED STATES FIRE-CURED AND DARK AIR-CURED: ACREAGE, YIELD, PRICE, FARM VALUE, PRODUCTION, STOCKS, SUPPLY, ESTIMATED CONSUMPTION, AND EXPORTS, 1919-37

| Year | Acreage harvested | Yield per acre | Season average price per pound | Farm value | Production | Stocks Oct. 1 (farm sales weight) | Supply Oct. 1 (farm sales weight) | Estimated consumption in the U. S. (farm sales weight) ¹ | Estimated exports, (farm sales weight) ¹ | Estimated domestic consumption and exports ¹ | Number of years supply (supply divided by consumption and exports) |
|-------------------|-------------------|----------------|--------------------------------|-----------------|----------------|-----------------------------------|-----------------------------------|---|---|---|--|
| | 1,000 acres | Pounds | Cents | Million dollars | Million pounds | Million pounds | Million pounds | Million pounds | Million pounds | Million pounds | |
| 1919 | 570.0 | 740 | 17.2 | 72.5 | 422.1 | 294.2 | 716.3 | 109 | 302 | 411 | 1.7 |
| 1920 | 447.6 | 784 | 9.7 | 33.9 | 350.9 | 359.3 | 710.2 | 88 | 256 | 344 | 2.1 |
| 1921 | 300.2 | 791 | 16.3 | 38.6 | 237.3 | 330.8 | 568.1 | 97 | 206 | 303 | 1.9 |
| 1922 | 451.0 | 815 | 15.5 | 57.1 | 367.7 | 265.9 | 633.6 | 99 | 238 | 337 | 1.9 |
| 1923 | 468.7 | 814 | 12.1 | 46.0 | 381.7 | 290.3 | 672.0 | 98 | 263 | 361 | 1.9 |
| 1924 | 393.8 | 777 | 13.9 | 42.6 | 306.1 | 311.1 | 617.2 | 95 | 194 | 289 | 2.2 |
| 1925 | 386.3 | 784 | 9.5 | 28.9 | 303.0 | 326.8 | 629.8 | 95 | 172 | 267 | 2.4 |
| 1926 | 324.1 | 824 | 7.6 | 20.4 | 267.2 | 364.2 | 631.4 | 91 | 192 | 283 | 2.2 |
| 1927 | 202.9 | 740 | 13.9 | 20.9 | 150.1 | 353.0 | 503.1 | 91 | 138 | 229 | 2.2 |
| 1928 | 244.7 | 737 | 13.6 | 24.5 | 180.4 | 264.8 | 445.2 | 90 | 132 | 222 | 2.0 |
| 1929 | 296.6 | 834 | 12.6 | 31.3 | 247.2 | 211.8 | 459.0 | 89 | 159 | 248 | 1.9 |
| 1930 | 316.7 | 733 | 8.4 | 19.4 | 232.2 | 205.4 | 437.6 | 86 | 112 | 198 | 2.2 |
| 1931 | 312.2 | 810 | 4.7 | 11.8 | 253.0 | 240.5 | 493.5 | 79 | 123 | 202 | 2.4 |
| 1932 | 206.8 | 777 | 5.7 | 9.2 | 160.7 | 290.6 | 451.3 | 75 | 103 | 178 | 2.5 |
| 1933 | 209.0 | 763 | 8.7 | 13.9 | 159.4 | 287.5 | 446.9 | 76 | 96 | 172 | 2.6 |
| 1934 | 197.6 | 877 | 10.0 | 16.5 | 164.7 | 273.3 | 438.0 | 74 | 94 | 168 | 2.6 |
| 1935 | 179.3 | 828 | 8.9 | 13.3 | 148.4 | 293.6 | 442.0 | 84 | 85 | 169 | 2.6 |
| 1936 | 160.8 | 773 | 12.5 | 15.6 | 124.2 | 270.2 | 394.4 | 86 | 80 | 166 | 2.4 |
| 1937 ² | 191.2 | 827 | | | 158.0 | 219.0 | 377.0 | | | | |

¹ The estimates of consumption together with estimated farm weight of exports shown in the table are preliminary and subject to revision. It is estimated that from 1920 to 1934, inclusive, 7.5 million pounds annually were used for nicotine in the United States, and that in 1935 and in 1936, 15 million pounds were so used.

² Sales.

³ Preliminary.

QUESTIONS AND ANSWERS

GENERAL FEATURES OF THE NEW FARM ACT

1. Q. What is the Agricultural Adjustment Act of 1938?
 - A. An act of Congress approved by the President on February 16, 1938, which, among other things, continues, amends, and strengthens the Soil Conservation and Domestic Allotment Act and provides authority for the control of surpluses in the five commodities, cotton, tobacco, rice, corn, and wheat.
2. Q. In what way does the act provide control of surpluses?
 - A. When supplies reach certain levels, marketing of the crops is regulated through the establishment of marketing quotas.
3. Q. Do the marketing quotas for tobacco apply to all kinds of tobacco or to each kind of tobacco separately?
 - A. The act defines different kinds of tobacco and the marketing quotas apply to each kind separately.

MARKETING QUOTAS FOR FIRE-CURED AND DARK AIR-CURED TOBACCO

4. Q. When will fire-cured and dark air-cured tobacco marketing quotas be put into effect?
 - A. They will be in effect in 1938, unless more than one-third of the producers voting in a referendum are opposed to such quotas. (Fire-cured and dark air-cured tobacco are treated as one kind of tobacco under the new act).
5. Q. What determines when marketing quotas will be applicable?
 - A. The act provides that when the total supply exceeds the "reserve supply level" for dark tobacco a National marketing quota will be in effect for the next marketing year.

6. Q. What is the reserve supply level?
A. The reserve supply level is a quantity of tobacco 5 percent above the "normal supply." For determining the 1938 marketing quota for dark tobacco the reserve supply level was 355 million pounds. "Normal supply" is defined as the sum of a normal year's domestic consumption plus 175 percent of such consumption, and a normal year's exports plus 65 percent of such exports.
7. Q. What is total supply?
A. Total supply is the quantity of tobacco on hand October 1, at the beginning of the marketing year, plus the estimated crop for the year. The total supply of dark tobacco on October 1, 1937, was 377 million pounds.
8. Q. What is a marketing quota?
A. A marketing quota is the quantity of tobacco which can be marketed without penalty.
9. Q. How much is the 1938 marketing quota for dark tobacco?
A. The National marketing quota for 1938 is 145 million pounds.
10. Q. What was the amount of the 1937 crop?
A. The estimated 1937 production was 158 million pounds.
11. Q. When is the Secretary required to announce the national marketing quota?
A. The 1938 quota was announced February 18, 1938. In later years any quota must be announced not later than December 1.

REFERENDUM

12. Q. When is the referendum required to be held?
A. In 1938, the referendum will be held March 12. In other years not later than December 31.
13. Q. Who is eligible to vote in the referendum?
A. Farmers engaged in the production of fire-cured and dark air-cured tobacco in 1937. Each farmer will have one vote.
14. Q. How does the referendum affect the operation of the act?
A. If more than one-third of the growers voting in the referendum are opposed to the marketing quota, the quota will not go into operation.

DETERMINATION OF STATE QUOTAS

15. Q. How is the National marketing quota divided among the States?
A. The National marketing quota is divided among the States on the basis of production in the past 5 years (including estimated production on diverted acres), with adjustments for abnormal weather, for plant-bed diseases, for small farms, and for trends in production.
16. Q. Is all of the quota distributed on this basis?
A. Not less than 95 percent of the quota is distributed on this basis.
17. Q. How is the remaining part of the quota distributed?
A. The remaining part of the quota, not exceeding 5 percent, is used to provide allotments to new farms—farms on which tobacco is produced for the first time in 5 years—and for increases of quotas for small farms.

DIVISION OF STATE QUOTAS AMONG FARMS

18. Q. How is the State quota divided among farms?
A. The State quota is divided among counties, and the local committeemen in each county recommend quotas for individual farms in accordance with uniform instructions.
19. Q. What are the local committees required to consider in recommending quotas for farms?
A. Past marketings of tobacco (adjusted for abnormal weather and for plant-bed diseases); land, labor, and equipment available for production of tobacco; crop-rotation practices; and the soil and other physical factors affecting production of tobacco.
20. Q. What are the local committees required to consider in recommending quotas for new farms?
A. The same factors as for other farms, except past marketings of tobacco. The quota for any new farm cannot be more than 75 percent of the quotas for other farms in the locality which are similar as regards land, labor, and equipment available for production of tobacco; crop-rotation practices; and the soil and other physical factors affecting production of tobacco.

21. Q. What consideration is given to small farms?
 A. Small farms from which marketings have averaged less than 2,400 pounds will have a minimum poundage quota equal to their average marketings plus normal production on any diverted acreage.
22. Q. Will all small farms be allowed to market up to 2,400 pounds regardless of their past marketings?
 A. No. A small farm will not have a marketing quota larger than its normal marketings, unless a specific adjustment, based upon recommendation by the local committee, should be made.
23. Q. Is it likely that new farms can obtain large quotas?
 A. No. Quotas for new farms will consist of reasonable allotments for small farms. The maximum quotas for any new farm probably will be 2,400 pounds.
24. Q. When will farmers be able to obtain information as to their marketing quotas?
 A. Information as to farm marketing quotas will be available before the beginning of the marketing season. Acreage allotments under the Agricultural Conservation program will be completed at an early date and should serve as a guide to farmers in their plantings for the 1938 crop.

PENALTIES

25. Q. What is the penalty for marketing tobacco in excess of the quota?
 A. The penalty will be 50 percent of the gross value of the tobacco, or 2 cents per pound, whichever is greater.
26. Q. Who will pay the penalty?
 A. The penalty will be paid by the warehouseman or buyer, who may deduct it from the price paid to the farmer.

TRANSFER OF QUOTAS

27. Q. Can marketing quotas be transferred among farms?
 A. The act empowers the Secretary of Agriculture to issue regulations under which marketing quotas may be transferred among farms.

MARKETING QUOTAS AND THE AGRICULTURAL CONSERVATION PROGRAM

28. Q. What is the relation between the marketing quotas and the Agricultural Conservation program?
 A. The marketing quotas are set up under the Agricultural Adjustment Act of 1938, while acreage allotments are set up under the Agricultural Conservation program.
29. Q. Will the acreage allotments under the Agricultural Conservation program be likely with normal yields to result in production in line with the marketing quotas?
 A. Yes.
30. Q. Will the quotas affect the payments under the Agricultural Conservation program?
 A. No. Payments for acreage performance under the Agricultural Conservation program will be made without regard to the marketing quotas. This payment will be at the rate of 1½ cents per pound of the normal yield for each acre in the farm acreage allotment.
31. Q. How will the planting of an acreage in excess of the farm acreage allotment affect payments under the Agricultural Conservation program?
 A. A deduction will be made from the payment at the rate of 7½ cents per pound of the normal yield for each excess acre.
32. Q. What will be the adjustments of acreage under the Agricultural Conservation program?
 A. For farms having a normal acreage of more than 3.7 acres, approximately 40 percent from the normal acreage; for farms having 2.5 acres or less, 25 percent from the normal acreage; and for farms having between 2.5 and 3.7 acres, adjustments ranging from 25 percent to 40 percent from the normal acreage.